

# The Poverty Industry: How Foster Care Agencies Exploit Children In Their Care

June 24, 2016 | [Daniel L. Hatcher](#) 



(AP Photo/Orlin Wagner)

A Charles Dickens novel has come to life. Foster care agencies are partnering with companies to search for poor children who are disabled or have dead parents—in order to take their money for state revenue.

## Consider the story of a foster child named Alex:

Alex was taken into foster care at age twelve after his mother's death. Over a six-year period, he was moved at least twenty times between temporary placements and group homes. Soon after losing his mother, Alex learned his older brother might be able to care for him, but then his brother died. There were also hopes that Alex could go to live with his father, but then his father died as well.

Unknown to Alex, he was eligible to receive Social Security survivor benefits after his father died. These funds could have provided an invaluable benefit to Alex, supplying an emotional connection to his deceased father and financial resources to help with his difficult transition out of foster care.

But without telling Alex, the Maryland foster care agency applied for the survivor benefits on his behalf and to become his representative payee. Then, although obligated to only use the benefits for the child's best interests, the agency took every payment from Alex. The agency didn't tell Alex it was applying for the funds, and didn't tell him when the agency took the money for itself. Alex struggled during his years in foster care, left foster care penniless, and continued to struggle on his own.

Unfortunately, Alex's story is not unique. Across the country, agencies and their contractors target children who might be determined disabled or whose parents have died, apply for federal disability (SSI) and survivor (OASDI) benefits on their behalf, and then apply to gain control over the children's money. Often, the children never see the money and receive no benefit. Many states also confiscate Veteran's Assistance benefits from children whose parents died in the military. The Nebraska foster care agency even drafted a regulation so it can claim a foster child's burial space.

By taking their resources, foster care agencies are forcing vulnerable children to pay for their own care—when the agencies and states are already legally obligated to do so. Further, if a parent or relative serves as representative payee and uses a child's disability or survivor benefits to help with expenses for a child's care, the child is better off because more funds are available to help in the household where the child lives. But when foster care agencies take resources from children, the children receive no benefit; their money is used to provide neither them nor their foster care home more assistance. The agencies simply ignore their fiduciary obligations and route the funds to government coffers—while the contractors also take a cut. All of this is usually done without informing the children or their advocates.

In contract documents obtained from public records requests, foster children are treated as “units” on revenue maximization conveyor belts (or, in the case of the Maryland foster care agency, a “revenue generating mechanism.”) They are “scored and triaged,” plugged into “data mining” and “algorithms,” and subjected to “dissection” to increase the “penetration rate” of children whose resources can be taken.

Foster care agencies have reached a point where they have prioritized their own fiscal self-interests over the interests of children in their care.

Why are foster care agencies doing this to the very children they're supposed to serve? The agencies are underfunded. States have continued to cut funding necessary

for child welfare services, including assistance to help families stay intact so that foster care is not needed. In a desperate search for revenue, foster care agencies have reached a point where they have prioritized their own fiscal self-interests over the interests of children in their care.

Cash-strapped agencies would argue that this is all for the greater good, because increased agency funds will lead to improved agency services. But the rationale fails. The notion that child welfare agencies should fund themselves by taking resources from children they exist to serve is counterintuitive, at best. Further, foster care agencies are not even better off after they confiscate children's resources: the funds are either routed directly to general state coffers, or the state reduces funding for the agency based upon how much money is obtained from the children.

Given the intense difficulties that foster children already face—especially as they age out of care—policymakers need to address this issue. The recently enacted ABLE Act, which allows disabled children to conserve their SSI benefits, is a helpful step in the right direction—but it will only help foster children if agencies stop taking their funds. And pending legislation from Congressman Danny Davis (IL) would do just that—it would protect foster children's resources so the children can best help themselves.

Unfortunately, this is not an isolated practice. In *The Poverty Industry: The Exploitation of America's Most Vulnerable Citizens*, I expose how states and their human service agencies team up with private companies to profit from the vulnerable. In addition to taking foster children's assets, the poverty industry uses illusory budget shell games to siphon away billions in Medicaid funds intended for children and low-income adults. Child support payments for foster children and families on public assistance are converted into government revenue. Nursing homes and juvenile detention centers sedate residents to reduce costs, and pharmaceutical companies encourage the drugging through illegal marketing practices. States use nursing homes to take the facilities' federal aid while the elderly languish in poor care. Counties and court systems hire companies to mine the poor for funds in modern day debtor's prisons. And the poverty industry keeps expanding.

We may disagree about the best way to help vulnerable populations. But we all should be able to agree that when aid funds are generated with specific intent to help those in need, those funds should be used as intended.